# Book Review: Forbes Leads The New Renaissance In Monetary Understanding

**By: Nathan Lewis**
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People who have followed Steve Forbes' "Fact & Comment" have long noted his advocacy for the Classical, gold-based monetary approach the United States used before 1971.

But, what most people probably did not know is the depth and breadth of Forbes' understanding of this fundamental topic. Steve Forbes has one of the best monetary minds in the U.S. today – towering above today's academics and money bureaucrats, including central bankers, whose collective incompetence is apparent to anyone who is paying attention.

Fortunately for all of us, Forbes and co-author Elizabeth Ames have expanded their thoughts in a new book, *Money: How the Destruction of the Dollar Threatens the Global Economy—and What We Can Do About It.* I think it will serve as a core work in the new Renaissance in monetary understanding that is happening right now. In time, as people grasp the insights contained in this book, today's dominant Keynesian-Mercantilist orthodoxy will be revealed as so much flat-earth nincompoopery.

*Money* provides both the big-picture leadership and actionable details of how the world can rebuild the traditional foundations of modern Capitalism.

As Forbes describes, the United States used this approach for nearly two centuries until 1971, and became the most successful country in the world.

Unfortunately, the incredible ignorance that characterized post-1960 monetary understanding was also shared, to some degree, by the Classical gold standard advocates of that time. *Money* suffers no such defects, but instead displays the level of mastery that we will require, if we are to resolve the endless difficulties that arise from today's funny-money chaos.

Forbes focuses on the ideal of money as a stable and standardized unit of account, much like a kilogram or meter. "Just as we need to be sure of the number of inches in a foot or the minutes in an hour, people in the economy must be certain that their money is an accurate measure of worth. When the value of money fluctuates, as it so often does today, it produces uncertainty in addition to unnatural and often destructive marketplace behavior—artificial booms and busts that breed malignant economic and social consequences."

The book continues with a description of why a capitalist economy can only function correctly with a stable unit of account.

"Prices don't simply inform buyers and sellers in a particular transaction; they also provide information that producers and consumers throughout an economy use to make decisions …

The prices and profits facilitated by money are what allow a market economy to provide for the needs of society. When money is made artificially unstable by government, the information it provides ends up being corrupted. Both producers and consumers respond to distorted market signals. The end results are gluts, shortages, or market bubbles."

The briefest examination shows that a people cannot become prosperous with nothing but the enthusiastic application of the printing press. A little more investigation, by Forbes and Ames, shows that they do not remain where they are, either. They get poorer.

*Money* is a friendly and accessible book. For too long, this topic has been darkened with discussion in the turgid tones of Teutonic philosophers like Immanuel Kant (or Karl Marx). However, *Money* is also informed by Forbes and Ames' deep understanding of the subject. Even if a topic receives only three or four sentences, they are the right sentences–not just something that the author heard somewhere, from someone else who actually didn't know what he was talking about.

I especially valued Chapter 5, "How Debasing Money Debases Society." One of the most insidious — and also most nebulous and difficult to elucidate – aspects of today's funny money is how it erodes institutions throughout government and society. When there are no rules governing money, and instead central bankers make it up as they go along in the pursuit of the short-term interests of bankers and the election cycle, this pattern spreads throughout a society. Expediency and self-interest become the norm not just in monetary affairs, but in all things. Talk of the "long term" and "common good" invites snickers. The words "our children" create uncontrollable laughter. The Rule of Law seems quaint and naïve; the Rule of Man – degenerating ultimately into the strong exploiting the weak – is the order of the day. The rich become richer, criminally and parasitically, as society becomes poorer and poorer. Eventually, they become oligarch-kings of their own little ash heap.

I actually think that today's cohort of Classical monetary thinkers is about the best we have had, in the English-speaking world, since perhaps 1930 or even before then. It has been a long, dark time. Unfortunately, many of our best people have preferred to keep a bit quiet about it. They have learned that sometimes it is not such a good idea to suggest that maybe … just maybe … the earth really does revolve around the sun. Even though it does.

People are so silly.

That too is changing. I think that Forbes' example, along with others like the Cato Institute and the Lehrman Institute, will encourage others to stand up and add their own special expertise and insight. People like Arthur Laffer, Jim Grant, and Steve Hanke – even, perhaps, Alan Greenspan – also have a degree of proficiency in these matters which is, honestly, quite a bit better than some well-known names from prior decades.

I have the most hope for younger people – the people who will learn about these things for the first time from books like *Money*, and don't have to clear their heads of decades of Keynesian indoctrination and academic math-babble. Already, as Ron Paul reports, many college students are so enthusiastic about "Ending the Fed" that they will burn dollar bills in effigy.

Probably, the Fed will end itself – go down in a blaze of something not-glory, as has happened to all the other hundreds of experiments in fiat-paper funny money down through the centuries. It might even be not too long from now. The market cycle theorist Martin Armstrong (who once charged six-figure sums for his advice to large investors) is so bold as to offer a date: the global sovereign debt crisis of September, 2015.

Forbes and Ames show us what comes next.